

Statewide Operating Procedure

Owner: Minnesota Management and Budget, Financial Reporting Unit

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Single Audit: Accounting for and Reporting of Federal Financial Assistance

Objective

To account for and report all federal financial assistance received and disbursed by state agencies in accordance with the Single Audit Act of 1984 (with amendment in 1996) (“Single Audit Act Amendments of 1996”) and the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

General Procedures

Step	Action	Responsible Party	Timeline
1.	State agencies must track all financial activity in the state’s accounting system for each federal financial assistance program. State agencies must link the financial activity in the state’s accounting system to an Assistance Listing Number (ALN) (previously known as the Catalog of Federal Domestic Assistance (CFDA) number) for all federal funds received directly from the Federal Government.	State Agencies	Ongoing
2.	Minnesota Management & Budget (MMB) Financial Reporting establishes Assistance Listing Numbers (ALNs) in the state’s accounting system based on agency requests.	MMB Financial Reporting and State Agencies	Ongoing
3.	State agencies periodically run and review the Schedule of Expenditures of Federal Awards (SEFA) report to ensure they properly set up federal grants in the accounting system and that the expenditures of federal funds received directly from the Federal Government are being included on the SEFA report. (SEFA Report Navigation: Click the Navigation Icon on the main SWIFT screen, on the Navigation Bar choose SWIFT> Grants>Interactive Reports>SEFA Report-Detail)	State Agencies	Ongoing

Step	Action	Responsible Party	Timeline
4.	<p>State agencies may receive federal funds directly from the Federal Government (Step 5), from another state agency (Step 6), or from a non-federal/non-state entity (Step 7). The state agency may enter into either a contractor or subrecipient relationship. The accounting treatment is different for each scenario and is described in this procedure. For guidance on defining the type of relationship, see MMB Statewide Operating Policy 0402-03 Single Audit: Responsibilities Concerning Subrecipients of Federal Financial Assistance.</p>	State Agencies	Ongoing
5.	<p>Direct Awards: This step addresses federal grants received directly from the Federal Government.</p> <p>Where a subrecipient relationship exists between the Federal Government and a state agency, these funds retain their federal identity and the state agency must follow the regulations associated with the funds. The state agency records the federal revenue in the Federal Fund using account 511001 (Federal Grants). The expenditure of these funds is reported as Direct Awards on the SEFA Report.</p> <p>Where a contractor relationship exists between the Federal Government and a state agency, the state agency records the activity as nonfederal revenue using the applicable revenue account (i.e. in an account other than 511001) in a fund other than the Federal Fund. The expenditure of these funds is not reported on the SEFA Report.</p>	State Agencies	Ongoing

Step	Action	Responsible Party	Timeline
6.a	<p>This step addresses direct award federal grants where the initial state agency (Agency A) passes the funds on to another state agency (Agency B).</p> <p>When a subrecipient relationship exists between the two state agencies, State Agency A is the primary recipient that receives funds directly from the Federal Government. State Agency B is the recipient agency that receives federal funds from State Agency A.</p> <p>State Agency A (primary recipient)</p> <ul style="list-style-type: none"> • Record the federal revenue in the Federal Fund unless an exception is granted (i.e. Trunk Highway, Game and Fish, TANF, etc.) • Use revenue account 511001 (Federal Grants) • Use expenditure account 441551 (Aid to State Agencies) since this is a subrecipient relationship. <p>State Agency B (recipient agency)</p> <ul style="list-style-type: none"> • Record the activity in the Federal Fund unless an exception is granted (i.e. Trunk Highway, Game and Fish, TANF, etc.) • Record the receipts from State Agency A using revenue account 511002 (Federal subgrants) • Record the expenditures using applicable expenditure account codes based on the type of goods or services. These should not be reported on the SEFA report. <p>Only State Agency A reports the expenditures as Direct Awards on the SEFA Report.</p>	State Agencies	Ongoing

Step	Action	Responsible Party	Timeline
6b.	<p>This step addresses direct award federal grants where the initial state agency (Agency A) passes the funds on to another state agency (Agency B).</p> <p>When a contractor relationship exists between the two state agencies, State Agency A is the primary recipient that receives funds directly from the Federal Government. State Agency B is the recipient agency that receives federal funds from State Agency A.</p> <p>State Agency A (primary recipient)</p> <ul style="list-style-type: none"> • Record the federal revenue in Fund 3000, unless an exception granted (i.e. Trunk Highway, Game and Fish, TANF, etc.) • Use revenue account 511001 (Federal Grants) • Record the expenditures using applicable expenditure account codes based on the type of goods or services purchased. <p>State Agency B (recipient agency)</p> <ul style="list-style-type: none"> • Record the activity in a fund other than the Federal Fund. The specific fund used should be based on Generally Accepted Accounting Principles (GAAP) fund type definitions. • Record the receipts from State Agency A as nonfederal revenue (i.e. in an account other than 511001 or 511002) using the applicable revenue account. • Record the expenditures using applicable expenditure account codes. <p>Only State Agency A reports the expenditures as Direct Awards on the SEFA Report.</p>	State Agencies	Ongoing
7.	<p>Indirect Awards: This step addresses federal grants received from sources other than the Federal Government or a state agency.</p> <p>Where a subrecipient relationship exists, these funds retain their federal identity and the state agency must follow the regulations associated with the funds. The state agency records the federal revenue in a fund other than the Federal Fund using account 511002 (Federal Subgrants). The expenditure of these funds is reported separately as Indirect Awards to MMB Financial Reporting.</p> <p>Where a contractor relationship exists, the state agency records the activity as nonfederal revenue (i.e. in an account other than 511001 or 511002) using the applicable revenue account in a fund other than the Federal Fund. The expenditure of these funds is not reported on the SEFA Report nor on the Indirect Awards worksheet.</p>	State Agencies	Ongoing

Step	Action	Responsible Party	Timeline
8.	MMB Financial Reporting requests from state agencies adjusting entries, variance analysis, indirect awards, and certifications for the SEFA report.	MMB Financial Reporting	August
9.	Agencies run the SEFA report in SWIFT (see Step 3 for SEFA Report Navigation) and verify that all expenditures of Direct Awards are included on the report under the correct ALN and that expenditures are reported accurately on the modified accrual basis of accounting, not on the budgetary basis.	State Agencies	September-November
10.	<p>Agencies provide adjusting entries to MMB Financial Reporting to ensure accurate reporting of expenditures of Direct Awards on the SEFA report. Adjusting entries are required to remove expenditures of federal grants received from other state agencies to avoid double reporting of these subgrant expenditures (see 6a). Adjusting entries are also required to report noncash items such as food commodities, immunizations, and surplus property; to identify ARRA and Research and Development expenditures; to accurately report expenditures as subrecipient or non-subrecipient; to remove expenditures of Indirect Awards, etc. Refer to the request from MMB for more specific information and instructions.</p> <p>Agencies compare prior year and current year expenditures by ALN, providing MMB Financial Reporting with the reasons for the variances and certification of the final amounts.</p> <p>Agencies will review the “Possible Missing Expenditure Report” and the “Over the Limit Report” and certify they have correctly included those expenditures.</p> <p>Agencies that received grants from other state agencies must provide the agency’s business unit that received the direct grant from the federal government. MMB will request verification from the initial agency that they have included these expenditures in their SEFA report.</p> <p>Agencies with indirect award expenditures must report them on the Indirect Awards worksheet provided by MMB Financial Reporting. Agencies must ensure that these expenditures are not also included on the SEFA report as expenditures of Direct Awards.</p> <p>MMB Financial Reporting reviews the adjusting entries, variance analysis and certifications for reasonableness.</p>	State Agencies and MMB Financial Reporting	September-November
11.	MMB Financial Reporting summarizes the SEFA reports for inclusion in the “Financial and Compliance Report on Federally Assisted Programs” report, which is required to be submitted to the Federal Clearinghouse by March 31.	MMB Financial Reporting	March

Related Policies and Procedures

[MMB Statewide Operating Policy 0402-02 Single Audit](http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-4/0402-02-single-audit-policy.docx): Accounting for and Reporting of Federal Financial Assistance (<http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-4/0402-02-single-audit-policy.docx>)

[MMB Statewide Operating Policy 0402-03 Single Audit](http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-4/0402-03-single-audit-subrecipient-policy.docx): Responsibilities Concerning Subrecipients of Federal Financial Assistance (<http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-4/0402-03-single-audit-subrecipient-policy.docx>)